

STONEPOINT GROUP LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)

DECEMBER 31, 2004

AUDITORS' REPORT

To the Shareholders of
StonePoint Group Limited

We have audited the consolidated balance sheets of StonePoint Group Limited as at December 31, 2004 and 2003 and the consolidated statements of operations, cash flows and shareholders' equity (deficiency) for the years then ended. These financial statements, expressed in United States Dollars, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY"

Vancouver, Canada

Chartered Accountants

April 19, 2005

A Member of *SC INTERNATIONAL*

STONEPOINT GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
(Expressed in United States dollars)
AS AT DECEMBER 31

	2004	2003
ASSETS		
Current		
Cash and equivalents	\$ 98,595	\$ 176,132
Cash held in escrow (Note 3)	-	13,355
Accounts receivable	149,549	64,744
Note receivable (Note 4)	<u>381,500</u>	<u>360,500</u>
	629,644	614,731
Intangible assets (Note 5)	145,358	125,000
Deferred financing costs (Note 5)	14,358	-
Equipment (Note 6)	<u>1,018</u>	<u>43,195</u>
	<u>\$ 790,378</u>	<u>\$ 782,926</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 412,251	\$ 288,411
Notes payable (Note 8)	143,578	-
Shareholder loan (Note 7)	<u>-</u>	<u>47,000</u>
	<u>555,829</u>	<u>335,411</u>
Shareholders' equity		
Capital stock (Note 9)		
Authorized		
Unlimited number of preferred shares		
Unlimited number of special shares		
Unlimited number of voting common shares		
Issued		
44,445,883 (2003 – 43,754,183) common shares	6,368,887	6,342,083
Contributed surplus	211,059	211,059
Cumulative translation adjustment	(132)	3,898
Deficit	<u>(6,345,265)</u>	<u>(6,109,525)</u>
	<u>234,549</u>	<u>447,515</u>
	<u>\$ 790,378</u>	<u>\$ 782,926</u>

Nature and continuance of operations (Note 1)

Commitments (Note 10)

Contingencies (Note 11)

Subsequent event (Note 17)

On behalf of the Board:

"James Borkowski"

Director

"Michael Kinley"

Director

The accompanying notes are an integral part of these consolidated financial statements.

STONEPOINT GROUP LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in United States dollars)
YEAR ENDED DECEMBER 31

	2004	2003
SALES	\$ 2,879,782	\$ 910,379
COST OF GOODS SOLD (Schedule)	<u>2,151,764</u>	<u>625,730</u>
GROSS PROFIT	728,018	284,649
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Schedule)	<u>(771,802)</u>	<u>(797,984)</u>
Loss before other items and discontinued operations	<u>(43,784)</u>	<u>(513,335)</u>
OTHER ITEMS		
Interest income	21,000	10,500
Gain on sale of equipment	9,292	-
Write-down of intangible assets (Note 5)	<u>(32,628)</u>	<u>-</u>
	<u>(2,336)</u>	<u>10,500</u>
Loss from continuing operations	(46,120)	(502,835)
Gain on sale of discontinued operations (Note 3)	-	5,846,550
Loss from discontinued operations (Note 3)	<u>(189,620)</u>	<u>(2,136,860)</u>
Net income (loss) for the year	<u>\$ (235,740)</u>	<u>\$ 3,206,855</u>
Basic and diluted loss per common share from continuing operations	\$ (0.00)	\$ (0.01)
Basic and diluted earnings (loss) per common share from discontinued operations	<u>(0.01)</u>	<u>0.08</u>
Basic and diluted earnings (loss) per common share	<u>\$ (0.01)</u>	<u>\$ 0.07</u>
Weighted average number of common shares outstanding	43,985,381	43,754,183

The accompanying notes are an integral part of these consolidated financial statements.

STONEPOINT GROUP LIMITED
CONSOLIDATED SCHEDULES
(Expressed in United States dollars)
YEAR ENDED DECEMBER 31

	2004	2003
COST OF GOODS SOLD		
Commissions	\$ 244,581	\$ 50,804
Freight	231,904	119,036
Labels	-	10,681
Purchases and other product costs	<u>1,675,279</u>	<u>445,209</u>
	<u>\$ 2,151,764</u>	<u>\$ 625,730</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising and promotions	\$ -	\$ 9,116
Amortization of deferred financing costs	13,317	-
Amortization of equipment	840	18,417
Amortization of intangibles	50,000	25,000
Consulting	126,719	177,429
Courier	7,186	13,397
Financing	9,626	-
Foreign exchange	25,568	17,096
Insurance	16,415	11,240
Interest	36,628	16,644
Office	62,300	55,880
Rent	19,194	23,996
Professional fees	60,432	147,393
Regulatory and investor relations	12,693	8,864
Repairs and maintenance	4,138	-
Telephone	28,023	23,315
Travel	68,131	59,018
Wages and benefits	<u>230,592</u>	<u>191,179</u>
	<u>\$ 771,802</u>	<u>\$ 797,984</u>

The accompanying notes are an integral part of these consolidated financial statements.

STONEPOINT GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)
YEAR ENDED DECEMBER 31

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	\$ (46,120)	\$ (502,835)
Items not affecting cash:		
Amortization	64,157	43,417
Gain on sale of equipment	(9,292)	-
Write-down of intangible assets	32,628	-
Foreign exchange	-	17,096
Interest accrued on note receivable	(21,000)	(10,500)
Change in non-cash working capital items:		
Accounts receivable	(84,805)	(50,609)
Accounts payable and accrued liabilities	123,840	248,089
Operating activities – discontinued operations	-	(2,365,789)
Net cash provided by (used in) operating activities	<u>59,408</u>	<u>(2,621,131)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of discontinued operations, net of cash acquired	-	3,954,422
Note receivable	-	(350,000)
Intangible assets	(96,957)	(150,000)
Proceeds from sale of equipment	13,372	-
Purchase of equipment	(1,182)	(20,581)
Net cash provided by (used in) investing activities	<u>84,767</u>	<u>3,433,841</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shareholder loans	(47,000)	(60,395)
Notes payable	134,178	-
Financing activities – discontinued operations	-	1,488,492
Net cash provided by financing activities	<u>87,178</u>	<u>1,428,097</u>
Foreign exchange effect on cash	<u>(1,510)</u>	<u>-</u>
Cash used in discontinued operations	<u>(151,201)</u>	<u>(2,062,736)</u>
Change in cash and equivalents	(90,892)	178,071
Cash and equivalents, beginning of year	<u>189,487</u>	<u>11,416</u>
Cash and equivalents, end of year	<u>\$ 98,595</u>	<u>\$ 189,487</u>
Cash and equivalents consists of:		
Cash and equivalents	\$ 98,595	\$ 176,132
Cash held in escrow	-	13,335
	<u>\$ 98,595</u>	<u>\$ 189,487</u>

Supplemental disclosure with respect to cash flows (Note 15)

The accompanying notes are an integral part of these consolidated financial statements.

STONEPOINT GROUP LIMITED
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in United States dollars)

	Number of Shares Issued	Capital Stock Amount	Contributed Surplus	Cumulative Translation Adjustment	Deficit	Total
Balance at December 31, 2002	43,754,183	\$ 6,342,083	\$ 211,059	\$ -	\$ (9,316,380)	\$ (2,763,238)
Cumulative translation adjustment	-	-	-	3,898	-	3,898
Net income for the year	-	-	-	-	3,206,855	3,206,855
Balance at December 31, 2003	43,754,183	6,342,083	211,059	3,898	(6,109,525)	447,515
Shares issued as bonus for note holders	691,700	26,804	-	-	-	26,804
Cumulative translation adjustment	-	-	-	(4,030)	-	(4,030)
Loss for the year	-	-	-	-	(235,740)	(235,740)
Balance at December 31, 2004	44,445,883	\$ 6,368,887	\$ 211,059	\$ (132)	\$ (6,345,265)	\$ 234,549

The accompanying notes are an integral part of these consolidated financial statements.

STONEPOINT GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2004

1. NATURE AND CONTINUANCE OF OPERATIONS

StonePoint Group Limited (the "Company") was incorporated under the laws of the Province of Ontario on January 23, 1997. The Company's current business is the sale and development of enhanced beverage products. During the year ended December 31, 2003 the Company restructured its operations and sold certain of its private and custom label beverage operating divisions (Note 3).

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	2004	2003
Working capital	\$ 73,815	\$ 279,320
Deficit	(6,345,265)	(6,109,525)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles and are expressed in United State dollars, unless stated otherwise.

Principles of consolidation

The financial statements include the accounts of the Company and those of its wholly owned subsidiaries from the date of acquisition or to the date of disposal. All significant inter-company balances and transactions have been eliminated upon consolidation.

Measurement uncertainty and estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Financial results as determined by actual events could differ from those estimates.

Cash and equivalents

Cash and equivalents include highly liquid investments with original maturities of three months or less.

STONEPOINT GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment is stated at cost, net of accumulated amortization. Equipment is amortized annually over the estimated useful lives of the assets as follows:

Equipment	5 years straight-line
Computer software	2 years straight-line
Computer hardware	30% declining-balance

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the assets carrying value over its fair value. Fair value is determined using a discounted cash flow analysis.

Intangible assets

Costs directly identifiable to royalty rights and product development costs have been capitalized and are amortized on a straight line basis at rates varying from 2 to 3 years. If management determines there to be an impairment in value, the asset is written-down to its estimated net realizable value.

Deferred financing costs

Deferred financing costs to obtain notes payable are deferred and amortized on a basis consistent with the repayment terms of the underlying debt.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Revenue recognition

The Company recognizes its revenue at the date the products are shipped to the customer, and collection is reasonably assured.

STONEPOINT GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

The Company's functional currency is the Canadian dollar. The Company uses the current rate method to translate from the functional currency to the United States dollar whereby all assets and liabilities are translated into United States dollar equivalents at the rate of exchange at the balance sheet date. Revenue and expenses are translated into United States dollar equivalents at the average rate of exchange throughout the year. Gains and losses arising from translation of the financial statements are disclosed as a separate component of shareholders' equity.

The accounts of subsidiaries, which are integrated operations, are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the year end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenue and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in the statement of operations.

Earnings (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the year ended December 31, 2004, this calculation proved to be anti-dilutive.

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year.

Stock-based compensation

The Company uses the fair value-based method for stock-based compensation and therefore all awards to employees and non-employees will be recorded at fair value on the date of the grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Comparative figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

3. CORPORATE REORGANIZATION

During the year ended December 31, 2003, the Company reorganized and restructured its operations by winding-up certain companies and transferring certain divisional assets and liabilities and operations to separate subsidiary companies.

On June 26, 2003, the Company sold StonePoint (California) Inc., formerly the Custom Label Division, and on September 12, 2003, sold substantially all of the net operating assets of StonePoint Inc., formerly the Private Label Division, resulting in gains of \$167,377 and \$5,679,173 respectively. The operations of these subsidiaries have been recorded as discontinued operations.

STONEPOINT GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2004

3. CORPORATE REORGANIZATION (cont'd...)

The loss from discontinued operations is as follows for the years ended December 31, 2004 and 2003:

	2004	2003
Sales		
StonePoint Inc.	\$ -	\$ 21,647,318
StonePoint (California) Inc.	-	1,364,723
	\$ -	\$ 23,012,041
Loss on discontinued operations		
StonePoint Inc.	\$ (189,620)	\$ (2,139,550)
StonePoint (California) Inc.	-	2,690
Loss from discontinued operations	\$ (189,620)	\$ (2,136,860)

The gain on sale of discontinued operations is comprised of:

	2004	2003 Total	StonePoint Inc.	StonePoint (California) Inc.
Proceeds of disposition:				
Cash	\$ -	\$ 4,139,387	\$ 3,339,387	\$ 800,000
Net assets sold:				
Current assets	-	3,587,365	2,918,554	668,811
Equipment at net book value	-	213,618	39,947	173,671
Liabilities	-	(3,401,704)	(3,069,703)	(332,001)
Liabilities forgiven by both parties	-	(2,106,442)	(2,228,584)	122,142
	-	(1,707,163)	(2,339,786)	632,623
Gain on sale of discontinued operations	\$ -	\$ 5,846,550	\$ 5,679,173	\$ 167,377

At December 31, 2004, net proceeds of \$Nil (2003 - \$13,355) remained in escrow.

4. NOTE RECEIVABLE

The note bore interest at 6% per annum and was due on December 26, 2004. Pursuant to an agreement dated April 4, 2005, the Company amended the terms of the note to bear interest at 11% effective December 27, 2004, and to require repayment of \$100,000 on April 20, 2005 with the balance due on June 30, 2005.

STONEPOINT GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2004

4. NOTE RECEIVABLE (cont'd...)

The balance at December 31, 2004 includes accrued interest of \$31,500 (2003 - \$10,500). The note has been pledged as security against the notes payable described in Note 8.

5. INTANGIBLE ASSETS AND DEFERRED FINANCING COSTS

Royalty rights

In 2003, the Company obtained the royalty rights for the "Life O2 Super-Oxygenated Water" technology for Asia at a cost of \$150,000 and in recognition of costs written-off or expensed in prior years totalling approximately \$750,000. These rights allow for royalty free use of the technology in perpetuity, as well as title to certain related computer and technical equipment used in the oxygenation process. The Company has agreed to pay a marketing fee to its principal customer in the amount of \$500,000, subject to adequate future shipments of product.

The Company recorded royalty rights of \$150,000 and amortization commenced July 1, 2003 on a straight line basis over a 3 year period.

Product development costs

The Company has entered into a partnership agreement to develop products and sales for its Australian wine products. During the year ended December 31, 2004, the Company capitalized \$102,985 of costs directly related to the development of products and supporting materials, less a write-down of \$32,628 to estimated realizable value of \$70,358. These costs have resulted in the Company owning several proprietary brands that will be marketed in North America and internationally. Amortization will commence on a straight line basis over a 2 year period in the first quarter of 2005 during which the Company expects initial revenues to begin.

Deferred financing costs

The Company has deferred the cost of bonus shares issued to the note holders referred to in Note 8 and is amortizing the cost thereof on a straight line basis over the period to maturity of the related notes.

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Product development costs	\$ 70,358	\$ -	\$ 70,358	\$ -	\$ -	\$ -
Royalty rights	<u>150,000</u>	<u>75,000</u>	<u>75,000</u>	<u>150,000</u>	<u>25,000</u>	<u>125,000</u>
	220,358	75,000	145,358	150,000	25,000	125,000
Deferred financing costs	<u>27,675</u>	<u>13,317</u>	<u>14,358</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 248,033</u>	<u>\$ 88,317</u>	<u>\$ 159,716</u>	<u>\$ 150,000</u>	<u>\$ 25,000</u>	<u>\$ 125,000</u>

STONEPOINT GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2004

6. EQUIPMENT

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 596	\$ 181	\$ 415	\$ 22,040	\$ 14,780	\$ 7,260
Computer software	31,407	31,407	-	140,107	126,072	14,035
Computer hardware	1,695	1,092	603	34,983	13,083	21,900
	<u>\$ 33,698</u>	<u>\$ 32,680</u>	<u>\$ 1,018</u>	<u>\$ 197,130</u>	<u>\$ 153,935</u>	<u>\$ 43,195</u>

During the year ended December 31, 2004, the Company amortized \$15,294 and wrote off \$23,125 of equipment to discontinued operations.

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$Nil (2003 - \$7,200) for the lease of office equipment and furniture from a director of the Company.
- b) Paid or accrued \$159,121 (2003 - \$290,202) to directors and officers of the Company (for continuing operations) for wages and benefits.
- c) Paid or accrued \$18,083 (2003 - \$Nil) for consulting fees to a company controlled by a director.

The shareholder loan bore interest at 10% per annum and was repaid in December, 2004. Included in accounts payable was \$15,000 (2003 - \$Nil) owing to directors.

All transactions were in the normal course of operations and were recorded at exchange amounts established and agreed between the related parties.

8. NOTES PAYABLE

The notes payable bear interest at the rate of 12% per annum, are repayable one year from the date of issuance and are secured by an assignment of a security interest in the note receivable (Note 4). During the year ended December 31, 2004, the Company issued 691,700 common shares as a bonus payment to the note holders valued at \$26,804 which was recorded as a deferred financing costs.

9. CAPITAL STOCK

Authorized

Unlimited number of voting common shares.

STONEPOINT GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2004

9. CAPITAL STOCK (cont'd...)

Authorized (cont'd...)

Unlimited number of preference shares, non-voting, bearing a fixed non-cumulative dividend at a rate of 7% of the amount paid-up per annum and redeemable at any time at the option of the Company on payment of the preference redemption price.

Unlimited number of special shares, non-voting, bearing a fixed non-cumulative dividend at a rate of 7% of the amount paid-up per annum, convertible at any time by the holder into one fully paid common share, redeemable at the option of the Company on payment of the special redemption price.

Stock options

The Company has a stock option plan (the "Plan") under which a maximum of 6,000,000 shares can be reserved for issuance. Periodically, directors, officers, key employees and consultants of the Company will be offered options to purchase common shares under the Plan. The exercise price of the options granted pursuant to the Plan may not be less than the price permitted by the TSX Venture Exchange. Options granted either vest immediately or are subject to certain vesting requirements as determined by the Board of Directors. A total of 6,000,000 shares remain reserved for issuance under the Plan.

As at December 31, 2004, there were no incentive stock options outstanding.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2002	3,650,000	Cdn\$	0.24
Options granted	-		
Options expired	(3,100,000)		0.20
Options exercised	-		
Balance, December 31, 2003	550,000		0.23
Options expired	(550,000)		0.23
Balance, December 31, 2004	-		

Warrants

At December 31, 2004, there were no share purchase warrants outstanding.

STONEPOINT GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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DECEMBER 31, 2004

10. COMMITMENTS

The Company leases certain premises and equipment under operating leases. The future minimum annual lease payments under operating lease arrangements are as follows:

2005	\$	13,600
2006		13,600
2007		13,600
2008		13,600
2009		<u>13,600</u>
	<u>\$</u>	<u>68,000</u>

Pursuant to the acquisition of royalty rights (Note 5), the Company agreed to pay a marketing fee to its principal customer in the amount of \$500,000, subject to adequate future shipments of product. As at December 31, 2004, \$251,000 (2003 - \$8,000) of this balance has been paid or accrued.

11. CONTINGENCIES

A claim against the Company for \$40,000 has been filed. The Company believes this claim is without merit and the outcome cannot be determined at this time.

12. ECONOMIC DEPENDENCE AND CREDIT RISK

The Company sells products to one customer in Japan, under a 5 year agreement which commenced in January, 2003. This customer accounts for 97% (2003 - 84%) of enhanced beverage revenues from continuing operations and 54% (2003 - 1%) of accounts receivable.

13. SEGMENTED INFORMATION

The Company operates in one business segment being the sale and development of enhanced beverage products in various geographic locations.

Geographic information is as follows:

	2004	2003
Sales during the year:		
Canada	\$ 83,111	\$ 115,832
Japan	2,796,671	767,484
United States	<u>-</u>	<u>27,063</u>
	<u>\$ 2,879,782</u>	<u>\$ 910,379</u>
Capital assets:		
Canada	\$ 160,734	\$ 129,789
Japan	-	-
United States	<u>-</u>	<u>38,406</u>
	<u>\$ 160,734</u>	<u>\$ 168,195</u>

STONEPOINT GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
December 31, 2004

14. INCOME TAXES

The reconciliation of income taxes at statutory rates is as follows:

	2004	2003
Income (loss) for the year	\$ (235,740)	\$ 3,206,855
Expected income tax expense (recovery)	\$ (88,638)	\$ 1,204,766
Non-deductible items	22,840	-
Utilization of non-capital losses	-	(1,204,766)
Unrecognized benefit of non-capital losses	65,798	-
Income tax expense	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	2004	2003
Loss carryforwards		
Canadian non-capital losses	\$ 730,000	\$ 1,049,000
United States net operating losses	54,000	-
Total loss carryforward	784,000	1,049,000
Less: valuation allowance	(784,000)	(1,049,000)
	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$2,050,000. These losses, if not utilized, will expire through to 2014. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2004	2003
Cash paid during the year for interest	\$ 36,628	\$ 390,685
Cash paid during the year for income taxes	\$ -	\$ -

STONEPOINT GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
December 31, 2004

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

The significant non-cash transactions during the year ended December 31, 2004 consisted of the Company issuing 691,700 shares at a value of \$26,804 as a bonus to the holders of the notes payable, of which \$13,317 was amortized. Additionally, amortization of \$15,292 and a write-down of equipment of \$23,125 was included in loss from discontinued operations.

There were no significant non-cash transactions for the year ended December 31, 2003.

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consists of cash and equivalents, accounts receivable, note receivable, accounts payable and accrued liabilities, notes payable and shareholder loan. Management has determined that the carrying value of the financial instruments approximate fair value due to their short-term nature.

Credit risk:

The Company is exposed to credit risk only with respect to uncertainties as to the timing and collectibility of accounts receivable. The Company mitigates credit risk through standard credit and reference checks.

Currency risk:

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

17. SUBSEQUENT EVENT

Subsequent to the year ended December 31, 2004, the Company issued additional notes payable totaling \$137,000 CDN pursuant to the same terms and conditions applicable to the notes payable described in Note 8, subject to regulatory approval.

MANAGEMENT DISCUSSION AND ANALYSIS

To The Shareholders of StonePoint Group Limited:

OVERALL PERFORMANCE

- Sales for the year ended December 31, 2004 from continuing operations represent a 216% increase over 2003.
- The Company's exports to Japan have been growing steadily and with increased capacity being brought on-line, management believes that same customer growth and new customer growth can be accelerated.
- As a result of the Company successfully selling the Private Label and Custom Label divisions in 2003, there has been a significant reduction of debt and operating expenses resulting in the re-establishment of a positive equity and working capital position.
- The Company is now focused on growing its enhanced beverage line (utilizing the Life O2 patent and technology acquired in April, 2003) and developing higher margin opportunities in categories which can benefit from the Company's services and experience. These categories include wine, nutraceutical beverages and other enhanced water products.

SELECTED FINANCIAL INFORMATION

	December 31, 2004	December 31, 2003	December 31, 2002
	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>
<i>Period ended:</i>			
Sales	2,879,782	\$ 910,379	465,518
Cost of sales	<u>2,151,764</u>	<u>625,730</u>	<u>421,722</u>
Gross profit	728,017	284,649	43,796
<i>Gross profit %</i>	25.3%	31.5%	9.4%
Selling, general and administrative expenses	771,802	797,984	1,219,572
Other items:			
Interest income	21,000	10,500	-
Gain on sale of equipment	9,292	-	-
Write-down of license	-	-	(406,593)
Write-down of intangible assets	32,628	-	-
Income (loss) from continuing operations	(46,120)	(502,835)	(1,582,369)
Gain on sale of discontinued operations	-	5,846,550	-
Income (loss) from discontinued operations	<u>(189,620)</u>	<u>(2,136,860)</u>	<u>(1,008,745)</u>
Income (loss) for the year	\$ (235,740)	\$ 3,206,855	(2,591,114)
Income (loss) per share from discontinued operations	(\$0.01)	(\$0.08)	(0.06)
Income (loss) per share	(\$0.01)	(\$0.07)	(0.06)

The table above presents the Company's results of operations for each of its last three fiscal years. The comparative figures for the 2002 year were restated in 2003 in order to properly reflect discontinued operations disclosure resulting from the Company's sale of both its custom label and private label bottled water businesses during 2003.

STONEPOINT GROUP LIMITED.
FORM 51-102F1 – MANAGEMENT DISCUSSION & ANALYSIS
DECEMBER 31, 2004

	December 31, 2004	December 31, 2003	December 31, 2002
<i>Balance sheet data:</i>			
Assets			
Cash and equivalents	\$ 98,595	189,487	\$ 11,416
Receivables	149,549	64,744	14,135
Note receivable	381,500	360,500	-
Assets held for resale	-	-	3,169,997
Intangible assets, royalty rights, deferred financing costs	159,716	125,000	-
Equipment	1,018	43,195	18,805
Liabilities / equity			
Notes payable	143,578	-	-
Other current liabilities	412,251	335,441	6,011,645
Shareholders' equity (deficiency)	234,549	447,515	(2,763,238)
Working capital (deficiency)	\$ 73,815	279,320	\$ (2,782,043)
Average shares outstanding	43,985,381	43,754,183	40,677,402

The above balance sheet data shows a return to a positive working capital position at December 31, 2004 and 2003, due to the sale of the Company's Custom and Private Label water businesses and the continued growth of the core exports to Japan. A small debt financing (notes payable) has also helped the Company's cash position, all of which has resulted in restoring a net shareholders' equity position for the first time since the 2000 fiscal year.

The Company's financial statements are prepared in conformity with Canadian generally accepted accounting principles, and include the accounts of the Company and its wholly owned subsidiaries expressed in Canadian dollars. All foreign currency amounts are converted into Canadian dollar equivalents using the temporal method as explained in the notes accompanying the Company's audited annual financial statements.

RESULTS OF OPERATIONS

Sales from continuing operations include international sales of its enhanced beverage line of \$2,796,671, compared with \$767,484 for 2003 as a result of increased demand and the first full year of sales. Consulting and royalty income account for the balance of revenues in each year.

SG&A expense from continuing operations is comparable with 2003, due primarily to similar combined levels of consulting fees and wages (2004 – \$357,311; 2003 - \$368,608). Lower professional fees (2004 -\$60,432; 2003 - \$147,393) were offset somewhat by higher total interest and financing costs (2004 - \$46,254; 2003 - \$16,644) relating to the notes payable. The Company expects ongoing comparative cost saving in this area due to the more streamlined nature of its continuing operations in comparison to its previous bottled water operations (2002 fiscal year).

On June 26, 2003, the Company sold StonePoint (California) Inc., formerly the Custom Label Division, and on September 12, 2003, sold the net operating assets of StonePoint Inc., formerly the Private Label Division, resulting in gains of \$167,377 and \$5,679,173 respectively. The operations of these subsidiaries have been recorded as discontinued operations.

QUARTERLY FINANCIAL INFORMATION

<i>Selected data only:</i>	December, 2004	September, 2004	June, 2004	March, 2004
Sales	\$ 1,115,141	\$ 898,038	\$ 463,783	402,820
Gross profit	238,054	218,953	131,708	139,303
Gross profit %	21.3%	24.7%	28.4%	34.6%
SG&A expense	286,627	151,754	170,215	168,381
<i>Net Continuing operations</i>	<i>(75,750)</i>	<i>81,540</i>	<i>(33,257)</i>	<i>(23,828)</i>
Discontinued operations	(144,821)	(25,496)	(23,300)	9,137
Net income (loss)	(220,571)	(56,044)	(56,557)	(14,655)
Per common share – discontinued operations	(\$0.00)	(\$0.00)	(\$0.00)	\$0.00
Per common share	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.01)

	December, 2003	September, 2003	June, 2003	March, 2003
Sales	184,953	\$ 244,427	\$ 467,583	13,416
Gross profit	57,348	18,960	201,990	6,351
Gross profit %	31.0%	7.8%	43.2%	47.3%
SG&A expense	271,002	165,985	213,321	147,607
<i>Net continuing operations</i>	<i>(203,145)</i>	<i>(147,025)</i>	<i>(11,331)</i>	<i>(141,256)</i>
Gain on sale – discontinued	(228,399)	5,923,930	151,020	-
Discontinued operations	(57,222)	(1,919,012)	(78,262)	(82,434)
Net income (loss)	(488,775)	3,857,893	61,427	(223,690)
Per common share – discontinued operations	(\$0.00)	(\$0.04)	(\$0.01)	(\$0.00)
Per common share	(\$0.01)	\$0.09	\$0.01	(\$0.01)

As indicated by the table above, severe price compression began to effect operations more profoundly in the 3rd and 4th quarters of 2002 and continued into 2003. Private Label growth resulted in higher expenses with little or no margin, especially with new business. These developments prompted the Company's decision to dispose of its bottled water businesses in quarters ended June and September, 2003.

Quarter to quarter variances in both sales and gross profit can be effected by the timing of purchase orders from customers. Also, transportation costs are ultimately affected by the impact of world oil prices on shipping costs generally.

The quarter ended December 31, 2004 was highlighted by sales totaling \$1,115,141 compared to \$184,951 in the same period in 2003. The Company has continued to grow its exports of Super Oxygenated bottled water to Japan, but has also devoted significant effort and resources to the development of its new Wine & Spirits Division (see deferred charges) which is expected to begin generating revenues in the second quarter of the 2005 fiscal year.

The Company has continued to actively reduce SG&A expenses to a level commensurate with its continuing operations (2004 Q2 - \$170,215 ; 2003 Q2 - \$213,321), and ongoing costs relating to the winding down of discontinued operations are now near break even level and are expected to be curtailed entirely within the quarter.

LIQUIDITY

Following the completion of the divestiture of its bottled water businesses in September, 2003, the Company has returned to a positive working capital position:

	December 31, 2004	December 31, 2003	December 31, 2002
Working capital (deficiency)	\$ 73,815	\$ 279,320	\$ (2,782,043)

Improved sales of its enhanced beverage line, together with higher margins being achieved by continuing operations, should enable the Company to generate sufficient cash to cover its working capital requirements on a monthly basis, which now total approximately \$55,000 per month.

Included in current assets at December 31, 2004 is a note receivable of \$381,500 concerning which the Company attributes a reasonable financial risk. The note is due from a company which has recently secured a public listing and is continuing to grow its sales while reducing its debt.

The Company's ongoing commitments for annual premises lease / rental have now been reduced to approximately \$1,100 per month and are not considered a factor in its future liquidity circumstances.

CAPITAL RESOURCES

The Company depends upon the junior capital markets to raise equity and debt financing needed to fund its working capital requirements to the extent not generated internally. Recent improvements in its enhanced beverage sales and related margins, together with a reduced cost structure from its continuing operations and a modest note payable financing, have largely eliminated the necessity of raising additional equity capital for this purpose.

Its ability to continue to raise equity financing for any purpose, or course, remains subject to the general investment climate and investors' interest in supporting the Company's business objectives. No significant financial commitments exist beyond its now reduced working capital needs.

OFF – BALANCE SHEET ARRANGEMENTS

The Company has not entered into any significant off-balance sheet arrangements or commitments.

RELATED PARTY TRANSACTIONS

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	Annual	Annual	Annual
<i>For the period:</i>			
Consulting fees, wages and benefits	\$ 177,204	290,202	563,085
Lease of equipment from a Director	-	7,200	11,238
Financing fees	-	-	110,597
Number of shares issued for financing fees	-	-	870,000
<i>As at balance sheet date:</i>			
Included in accounts payable	15,000	-	53,447
Shareholder loan	\$ -	47,000	107,395

Amounts due to related parties are unsecured and non-interest bearing with no specific terms of repayment (except the shareholder loan which bore interest at 10% per annum). All transactions are in the normal course of operations and are recorded at exchange amounts established and agreed between the related parties.

FOURTH QUARTER

The following fourth quarter transactions should be noted:

The Company has been working to develop additional production capacity required to support anticipated increased sales of its O2 oxygenated beverage line and is well into the development of its new Wine & Spirits Division. These developments (Wine & Spirits) have resulted in the Company owning several proprietary brands that will be marketed in North America and internationally. The Company concluded that \$32,628 of these deferred charges should be written off as of December 31, 2004, with the balance of estimated to be recoverable against expected revenues commencing in Q2 of 2005.

An allowance for potentially uncollectible accounts receivable of \$32,147 was charged to operations.

A shareholder loan of \$47,000 was paid out.

PROPOSED TRANSACTIONS

a) Pursuant to a letter agreement dated April 4, 2005 between the Company and the counter party to a note receivable (Note 3), the Company has amended the terms of the note such that the interest rate for the period from the original maturity date of December 26, 2004 until full repayment of the note will be increased from 6% to 11%, an initial payment on principal of \$100,000 CDN was received by April 20, 2005, and full repayment of the remaining balance of the note is due by June 30, 2005.

b) The Company issued additional notes payable in February, 2005 totalling \$137,000 CDN pursuant to the same terms and conditions applicable to the notes payable described in Note 8.

CHANGES IN ACCOUNTING POLICIES

The Company has not changed accounting policies.

FINANCIAL INSTRUMENTS

The Company's financial instruments consists of cash and cash equivalents, accounts receivable, note receivable, accounts payable and accrued liabilities and shareholder loan. Management has determined that the carrying value of the financial instruments approximate fair value due to their short-term nature. The Company is exposed to credit risk only with respect to uncertainties as the timing and amount of collectibility of accounts receivable. The Company mitigates credit risk through standard credit and reference checks.